



STATE OF ARKANSAS
**Department of Finance
and Administration**

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MEMORANDUM

To: All State Agencies, Board and Commissions and Institutions of Higher Education

Attention: **Chief Fiscal Officers, Agency Procurement Officials and Purchasing Agents**

From: Joe Giddis, Director
State Procurement

Date: February 13, 2002

Subject: Office of State Procurement Policy Directive # 02-01: Contract Extensions

This memorandum establishes State Procurement policy for contract extensions. **It is important that all agency staff personnel responsible for procurement functions be made aware of these provisions.**

- 1) It is each agency's responsibility to initiate contract extension requests prior to the contract expiration date.
- 2) Extension requests are due in the Office of State Procurement at least 30 days prior to the expiration date of the contract.
- 3) Contract extension exceeding the dollar limit established by Executive Order 98-04 requests shall be accompanied by an up to date Contract; Grant Disclosure and Certification Form completed by the current contract holder.
- 4) A statement from the Agency Procurement Official or Purchasing Agent shall accompany each contract extension request confirming that the contractor has performed in accordance with the provisions of the contract.
- 5) Only those contracts with extension language included as a part of the original contract's terms and conditions can be considered for extension.
- 6) The length of time for which a contract may be extended will be for a period not to exceed the original term of the contract. The original term of a contract plus the combined length of time of all possible extensions may not exceed seven years.
- 7) A contract extension will be authorized only after the contractor agrees to the terms of the extension and the OSP buyer administering the contract recommends, based upon a

study of competition and market conditions, that to extend would be in the best interests of the State.

- 8) Contract language should clearly indicate whether price increase requests apply to subsequent periods of extension, and that funding out clauses apply to all periods of extension.
- 9) OSP Procurement Managers will consider exceptions to this policy on a case-by-case basis, based on the guidance below. Deviations will be considered only when it is determined by the Managers to be in the best interests of the State.

In the unusual event that a State agency requires the extension of a contract after the contract has expired, a letter of justification, signed by the agency Director, Deputy Director, Chief Fiscal Officer, Division Director or head of a Procurement Agency, will be forwarded to the OSP ATTN: either kathy.besancon@dfa.state.ar.us or jerry.hester@dfa.state.ar.us. The letter must indicate that the agency has received written (or e-mail) confirmation that the vendor agrees to continue the contract; that no cost increases are included in the agreement and the reason(s) the extension is being sought after the contract has expired. Contract extensions should only be considered when, if the goods or services are not immediately delivered, human life or state property is endangered or the functional capability of a state agency is at risk.

cc:

Dick Barclay

Tim Leathers

DF&A Administrators